

**BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

IN RE:

South Carolina Electric & Gas Company
Application for Increase in Electric
Rates and Charges & Application
for Adjustments

DOCKET NO. 2002-223-E

**Testimony of James W. Stanway
On Behalf Of
WAL-MART STORES, INC.**

1 **Q. Please state your name, occupation, and business address.**

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3 A. My name is James W. Stanway. I am Director of Project Development for Wal-Mart
4 Stores, Inc. My business address is 2001 S.E. 10th Street, Bentonville, Arkansas 72716-
5 0550.

6
7 **Q. Please summarize your current and recent responsibilities.**

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9 A. Until a month ago I was responsible for the procurement and contracting for all of Wal-
10 Mart's electricity, natural gas and propane for the facilities in the United States as Wal-
11 Mart's Director of Rate Procurement. I am currently Director of Project Development for
12 Wal-Mart and am responsible for implementing and developing special projects focused
13 on energy conservation in the Company's facilities.

14
15 **Q. Please describe your educational background.**

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17 A. In 1989, I received a B.A. Degree in Economics from Bellarmine College, Louisville,
18 Ky.

19
20 **Q. Briefly describe your professional experience.**

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22 A. Upon graduation from college in 1989, I joined Manweb plc (an electric utility), Chester,
23 UK in the Forecasting Department. In 1991, I was promoted and joined a start-up energy
24 services company formed by Manweb to operate in the UK's newly deregulated market.
25 While at Manweb I had both staff and supervisory responsibilities for that Company's
26 involvement in cashflow and power pool forecasting, business development, rate analysis
27 and energy consulting for customers across UK, energy product development and
28 financing, plus design and project management of European Union "SAVE" &
29 "Objective One" activities. I joined Entergy Corp. in 1995, holding positions in their
30 pricing and product development functions. In 1998, I joined Wal-Mart Stores as Director
31 of Rate Procurement. In October 2002 I moved within Wal-Mart to become Director of

1 Project Development and am now responsible for managing capital investment projects
2 aimed at increasing the efficiency of Wal-Mart's facilities.

3
4 During my career I have contracted for power in all 50 US States, Canada, UK and
5 advised on energy contracts in Japan and Germany. I have managed and/or participated in
6 energy regulatory policy discussions and activities with governmental agencies in Texas,
7 California, Federal US, UK and Switzerland.

8
9 **Q. On whose behalf are you appearing in this proceeding?**

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11 A. I am appearing on behalf of Wal-Mart Stores, Inc.

12
13 **Q. What is the role of your testimony today?**

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15 A. My testimony today is to assert Wal-Mart Stores, Inc.'s position regarding the proposed
16 rate design by South Carolina Electric & Gas Company (SCE&G). We have not reviewed
17 SCE&G's financials; therefore Wal-Mart Stores, Inc. will not give testimony regarding
18 the appropriateness of the rate increase. Wal-Mart Stores, Inc. wants to guarantee that we
19 are treated fairly under the proposed rate design. The current proposed rate design
20 appears appropriate and reasonable. We are not anticipating or expecting a benefit from
21 the rate design especially if it would cause a hardship on the residential users.

22
23 The proposed rate design should not create a competitive advantage to any particular user
24 of the SCE&G electricity. If our competitors' philosophy is similar to that of Wal-Mart
25 Stores, Inc. (savings are passed on to our customers), the reduction of operating expenses
26 produces a pricing advantage.

27
28 A particular concern that we have would arise if a group of customers in one rate class
29 attempts to gain a competitive advantage over customers whose electricity usage puts
30 them in a different rate category. We don't believe that it is appropriate for this
31 Commission's authority over rate design to be used in this fashion. Our primary purpose

1 in participating in this proceeding is to protest any attempt by Wal-Mart competitors to
2 obtain a competitive advantage over Wal-Mart by advocating changes in SCE&G's rate
3 design.
4

5 **Q. In your opinion does the rate design appear reasonable?**
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7 A. The rate design proposed by SCE&G appears proper. The six factors (cost-of-service,
8 value of services, rate history, revenue stability, improvement of system load factor, and
9 optimum use of natural resources) used to determine the distribution of cost to the various
10 classes appears equitable. The six factors eliminate the risk of any user gaining a
11 competitive advantage due to the rate increase. The cost of service study constructs a rate
12 design that allocates the total cost to reflect the engineering and operating characteristics
13 of the electric utility system.
14

15 In developing the revenue increase by class, SCE&G used several factors. SCE&G
16 realized cost of service as the most important. In developing the electric cost of service,
17 the principle steps used were functionalization of costs, classification of costs and
18 allocation of costs. In using these three principal steps, the rate design is geared toward a
19 cost based rate, which is typically equitable and reasonable. In using the cost of service,
20 the medium-sized customers moved from a relative rate of return of 101% to 109%. This
21 impacts our Wal-Mart discount stores and SAM'S Club. We understand the increase is
22 due to the medium-sized customers' coincident peak (CP) demand increased from the last
23 rate proceeding by 38%, the largest increase of any class. Therefore, from a cost
24 causation standpoint, it is appropriate to allocate the revenue increase as proposed.
25

26 **Q. Does this conclude your testimony?**
27

28 A. Yes.